

allowed on the aggregate balances held in excess of £1,800,000. During the greater portion of the year under review the Public Trust Office was working on a bank overdraft, and, for shorter periods, the Government Insurance Account was also overdrawn. Instead of the overdrafts on these accounts being set off against the larger credit balances in the other Government accounts, interest was charged by the bank on the overdrafts at overdraft rates. It does not seem equitable that the Government should receive interest at a maximum rate of 2 per cent. on the balances of certain Government accounts with the bank, and at the same time be called upon to pay interest at as high a rate as $6\frac{1}{2}$ per cent. on Government accounts with the same bank which are overdrawn, when the debit on the overdrawn accounts is much more than covered by the credits on the other accounts.

It would appear that when there is an overdraft on some of the Government bank accounts, and credit balances in other Government bank accounts in excess of such overdraft, the one should be set off against the other, and interest be allowed only on the net balance.

Some discussion has taken place between the Treasury and the Public Trustee on the question as to whether the Treasury could not lend to the Public Trust at a rate lower than the usual overdraft rate charged by the bank, and thus benefit both Departments. For instance, during portion of the year 1931–32, the Public Trustee's overdraft at the bank varied up to £240,000, for which he paid $6\frac{1}{2}$ per cent., while at the same time the Treasury had on fixed deposit at the same bank amounts varying from £1,000,000 to £200,000 for which it only received $2\frac{3}{4}$ to $3\frac{1}{4}$ per cent. It would, of course, be impossible for the Treasury to guarantee that it would be in a position to make advances to the Public Trustee whenever required by him, and it is also recognized that in some cases not only is it more convenient but also possibly less costly for the Public Trustee to operate through the bank, but the foregoing facts seem to indicate that when the Treasury is in a position to place money on fixed deposit the Public Trustee should have prior claim to it. It would seem that there is room for co-operation between the Departments in the matter.

Closing of Separate Accounts.

During the year under review four separate accounts within the Public Account were closed pursuant to statutory authority, making, with the six separate accounts closed in the year 1930–31, a total of ten separate accounts closed during the two years ended on 31st March, 1932. The names of these accounts are as follows :—

Closed in the year 1930–31—

- Advances to other Governments Account.
- Cheviot Estate Account.
- Deteriorated Lands Account.
- Land Assurance Fund Account.
- National Endowment Account.
- National Endowment Trust Account.

Closed in the year 1931–32—

- Discharged Soldiers Settlement Depreciation Fund Account.
- Education Loans Account.
- Kauri-gum Industry Account.
- Waihou and Ohinemuri Rivers Improvement Account.

It is necessary for me to place the views of Audit in regard to the closing of these accounts fully before Parliament, as it appears that in some cases the statement made to Parliament and recorded in *Hansard*, 1930, Vol. 226, pp. 1022–23 and 1082, is not being complied with in its entirety. This statement was as follows :—

Question : “ I also want to ask, in connection with the abolition of the separate accounts dealt with in clauses 16 to 20, if it will still be possible for any interested person to ascertain the position of those various matters, such as the Cheviot Estate, the Hutt Valley Settlement Account, and other accounts ? ”

Reply : “ The honourable member for Dunedin West referred to the question of the abolition of certain accounts. This only affects the cash operations of the annual public accounts, and these accounts will be presented to Parliament, showing the true position of each. In absorbing these various accounts into one general account the practice of showing the details of each account will not be disturbed.”

It is clear, therefore, that though the separate accounts were to be abolished and the transactions merged in other accounts, it was, nevertheless, intended that the details relating to each account should still be separately disclosed in the public accounts. In many cases, however, this is not being done, as the transactions of the closed accounts are so intermingled with those of the accounts with which they have been merged that they cannot be distinguished therefrom.

Separate accounts such as those in question are accounts which have been established from time to time under special parliamentary enactment, with a view of providing a means of imposing parliamentary control on the amounts expended on the various undertakings, and at the same time obtaining accurate and reliable information as to the financial result of each undertaking. They were in fact *fund* accounts showing the moneys belonging to each account, and were designed to ensure that moneys authorized by Parliament to be raised for and applied to some specific purpose were actually raised and applied for such purpose and no other.